

**TRICARE Region 4 Summer Conference**  
**“Enduring Service, Sustaining Freedom”**

# **“The Cost of Healthcare”**

**Biloxi, MS**  
**August 2002**



**HUMANA®**

**Military Healthcare Services**

**Dave Baker**  
**President & CEO**

# Overview

- **Humana Inc. & HMHS**
- **Recent Events**
- **Some Cost-Related Metrics**
- **Humana Inc. and Cost Trends**
- **Looking Ahead at TRICARE Costs**

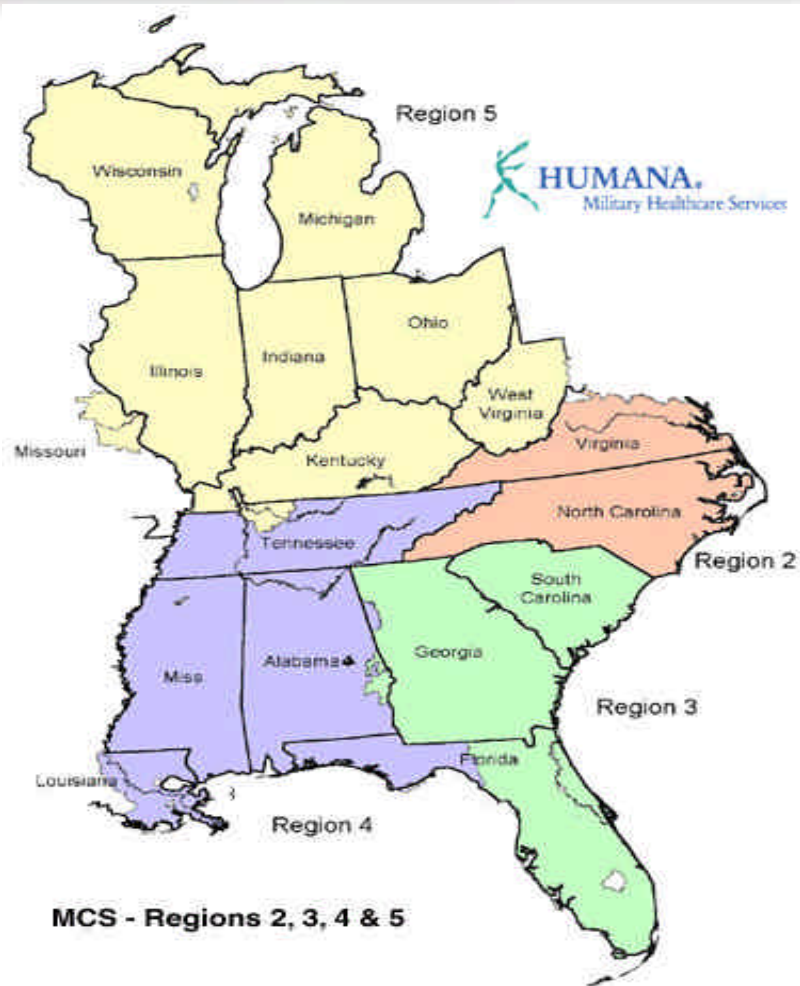
# Humana Inc. - Today

- One of Nation's Largest publicly traded managed care companies
- Headquartered in Louisville, Kentucky
- Over 6 million members
- Coverage offered primarily in 15 states and Puerto Rico
- Offer HMO, PPO, POS, and ASO plans to employer groups, individuals and government sponsored plans
- Approximately 14,000 associates

# Humana Military Healthcare Services

- Wholly owned subsidiary formed 1993
- Headquarters co-located with parent company in Louisville, KY
- Two TRICARE contracts managed from 4 regional offices:
  - Region 2 (Hampton, VA)
  - Region 3 (Augusta, GA)
  - Region 4 (Biloxi, MS)
  - Region 5 (Dayton, OH)
- Over 1,800 associates in 16 states and 80 locations

# Regions 2, 3, 4, and 5



# Our Vision

***"To be the most trusted name  
in military health solutions."***

# Our Competitive Advantage





# Who We Serve

	<u>Region 3 &amp; 4</u>	<u>Region 2 &amp; 5</u>	<u>Total</u>
<u>At Risk</u>			
Families/Retirees *	1,070,000	633,000	1,703,000
<u>Not at Risk</u>			
MTF Enrollees	-0-	381,000	381,000
Active Duty	238,000	225,000	463,000
Medicare Eligibles	<u>337,000</u>	<u>207,000</u>	<u>544,000</u>
	575,000	813,000	1,388,000
 Grand Total	 1,645,000	 1,446,000	 3,091,000

\* Approximately 42% of TRICARE Families/Retirees



# HMHS Presence - Claims

## June 2002

	<u>Total</u>	<u>HMHS</u>	<u>HMHS Share</u>
All Programs	7.9 M	3.7 M	47.5 %
TRICARE for Life	3.0 M	1.4 M	47.5 %
Senior Pharmacy	1.2 M	0.5 M	45.4 %

# Recent Events - NDAA FY2001

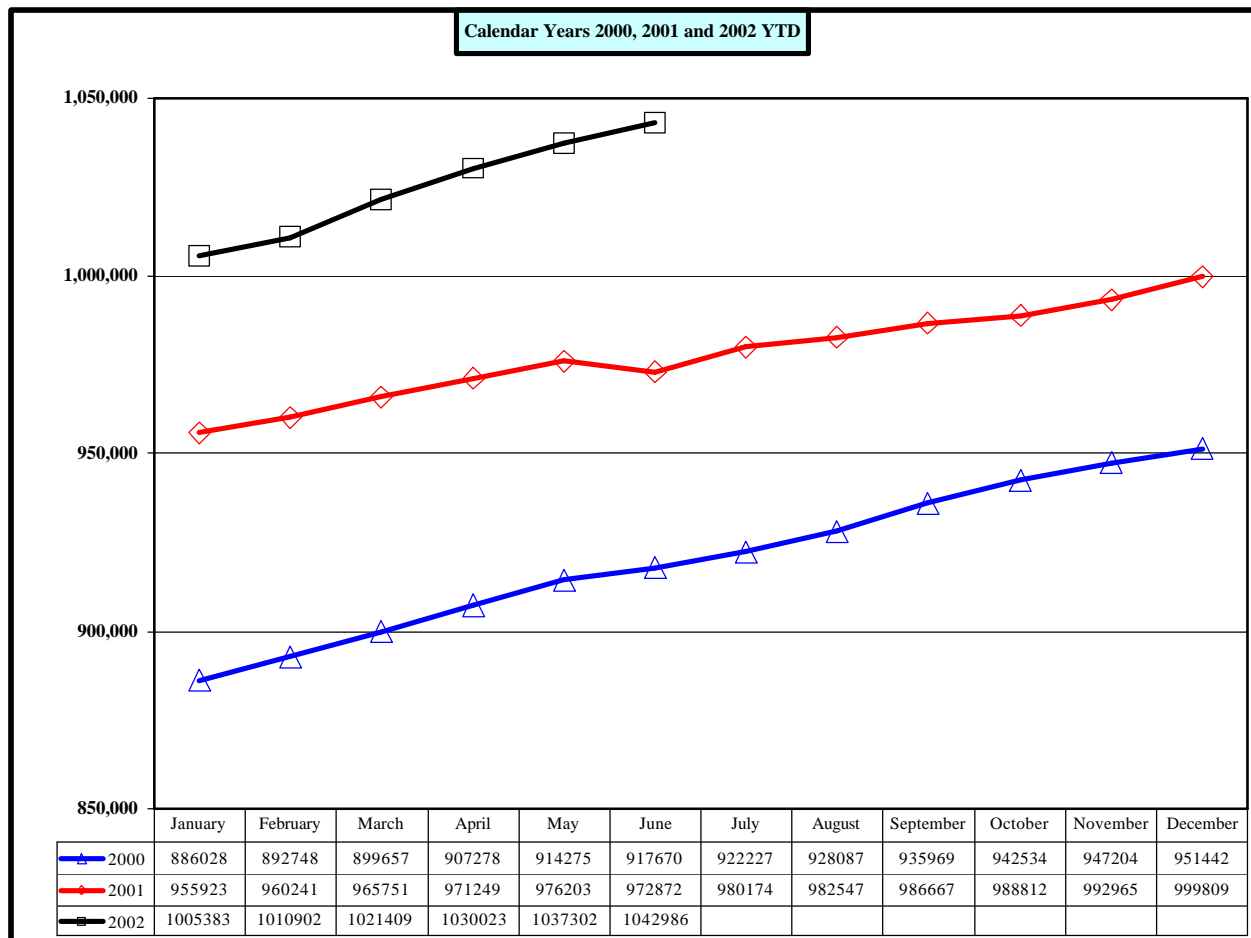
- **New TRICARE beneficiaries added**
  - TRICARE for Life
  - Medal of Honor recipients
  - Operation Noble Eagle
- **New and enriched benefits**
  - TRICARE Senior Pharmacy
  - Catastrophic cap reduced from \$7,500 to \$3,000
  - Lowered pharmacy cost shares
  - Waiver of ADFM Prime co-pays
  - Payment for school physicals
  - Prime travel benefits
  - Two year extension for survivors of deceased AD members (3 year total)

# Impact of Recent Events

- **TRICARE value is second to none in the industry**
- **Eligible beneficiaries are:**
  - **Migrating to TRICARE from other programs (ghosts)**
  - **Using more services**
  - **Increasing the intensity of service**
  - **Dropping supplemental insurance coverage**
  - **Consuming more administrative support services**
- **Overall program costs are exploding**

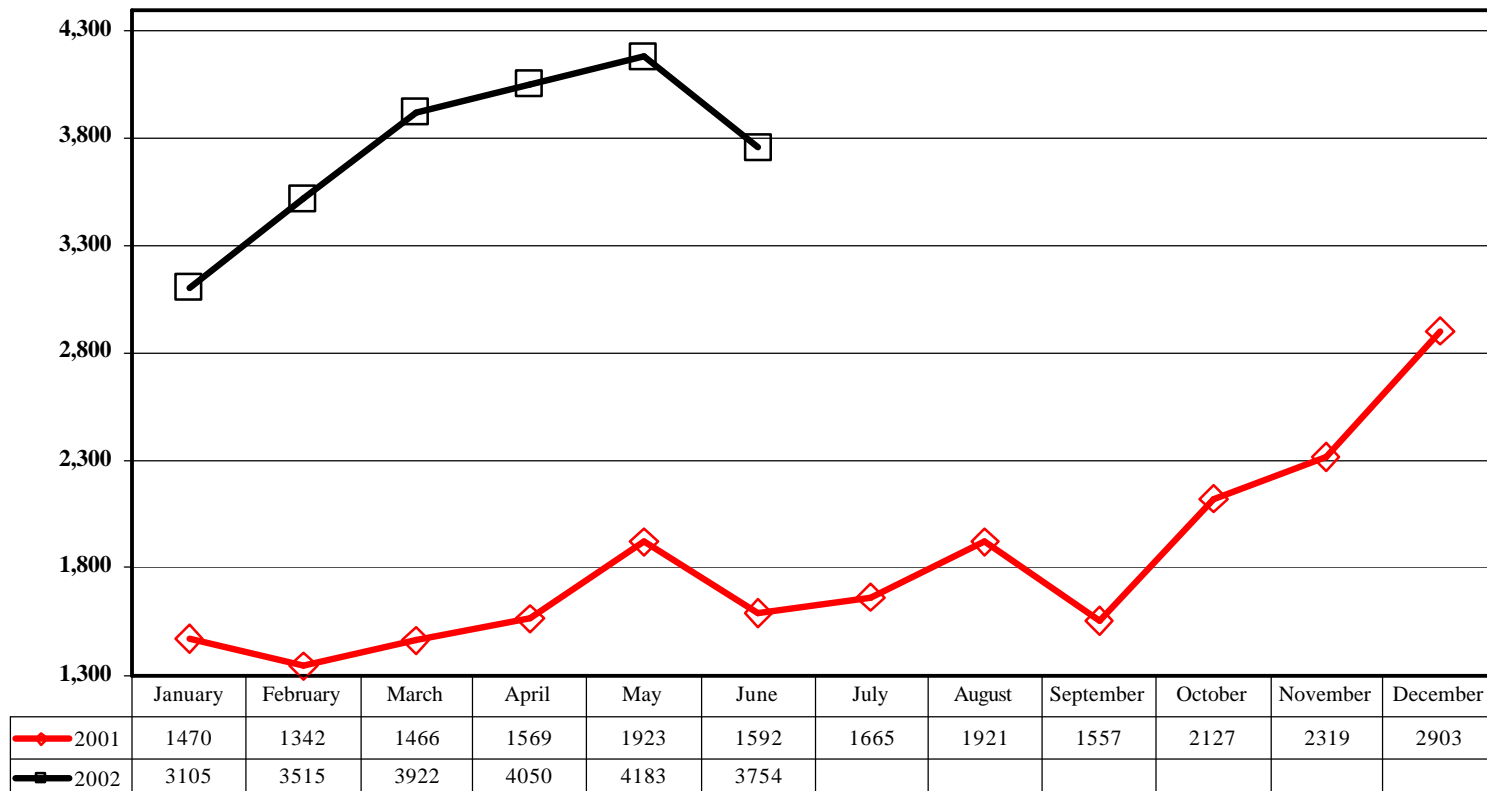
# Some Metrics - Enrollment

## Prime Enrollment Region 2/5 & 3/4



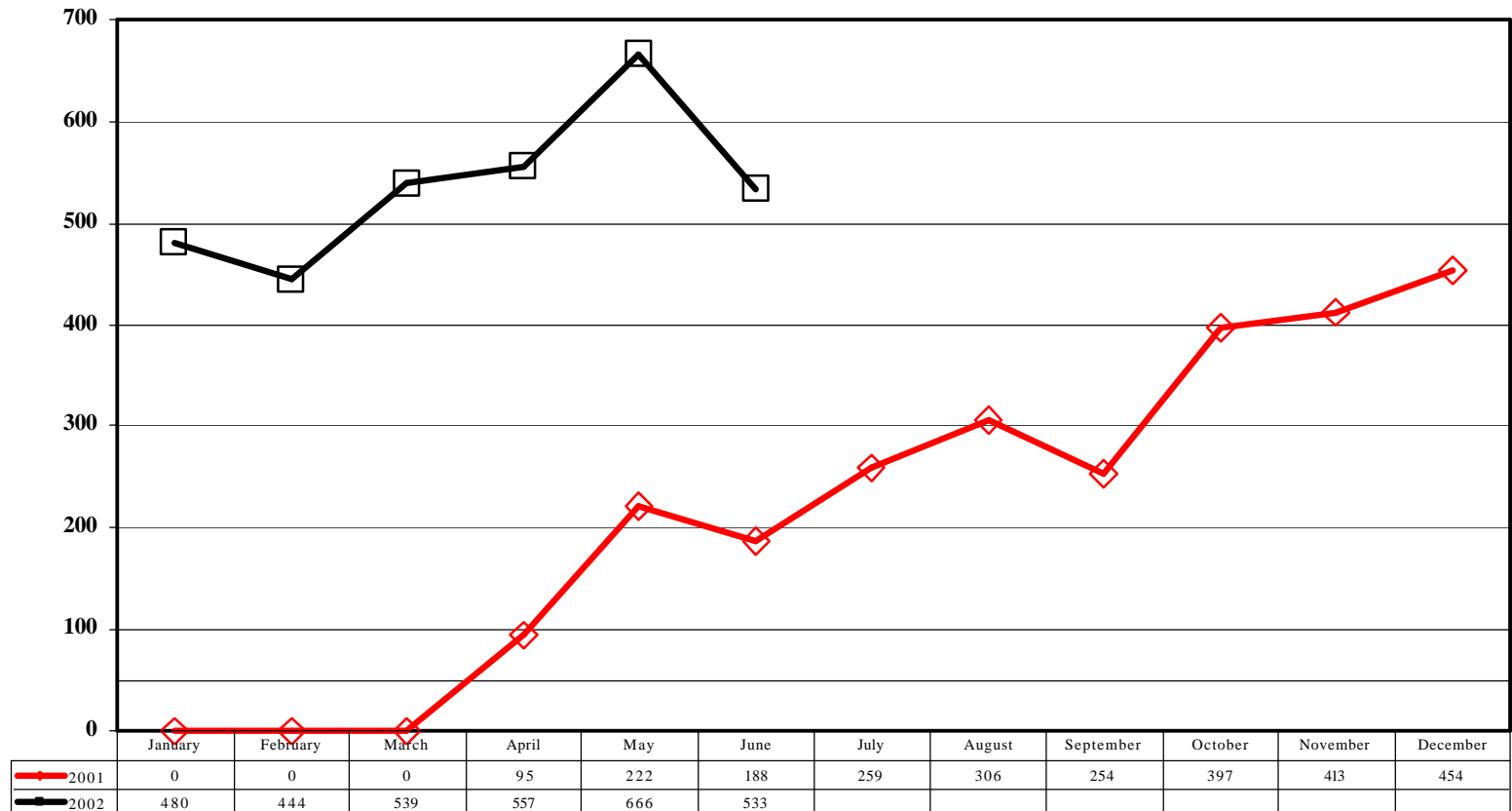
# Some Metrics - Claim Volumes

All Programs Total Claims Processed ~ Basic, SrRx, TFL (In Thousands) -  
Regions 2, 3, 4, 5



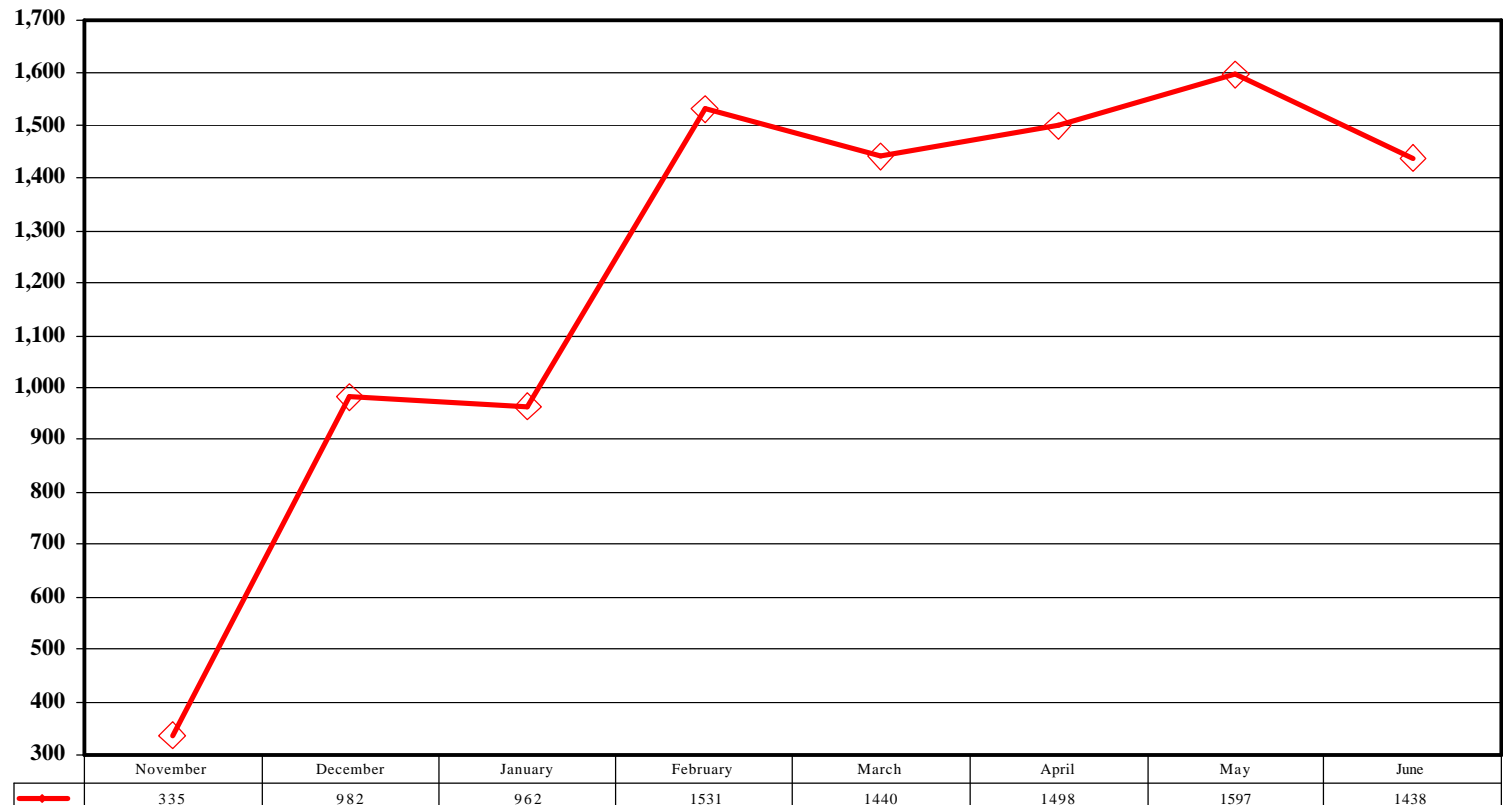
# Some Metrics - Claim Volumes (Cont.)

TSRX Claims Processed (In Thousands) - Regions 2, 3, 4, 5



# Some Metrics - Claim Volumes (Cont.)

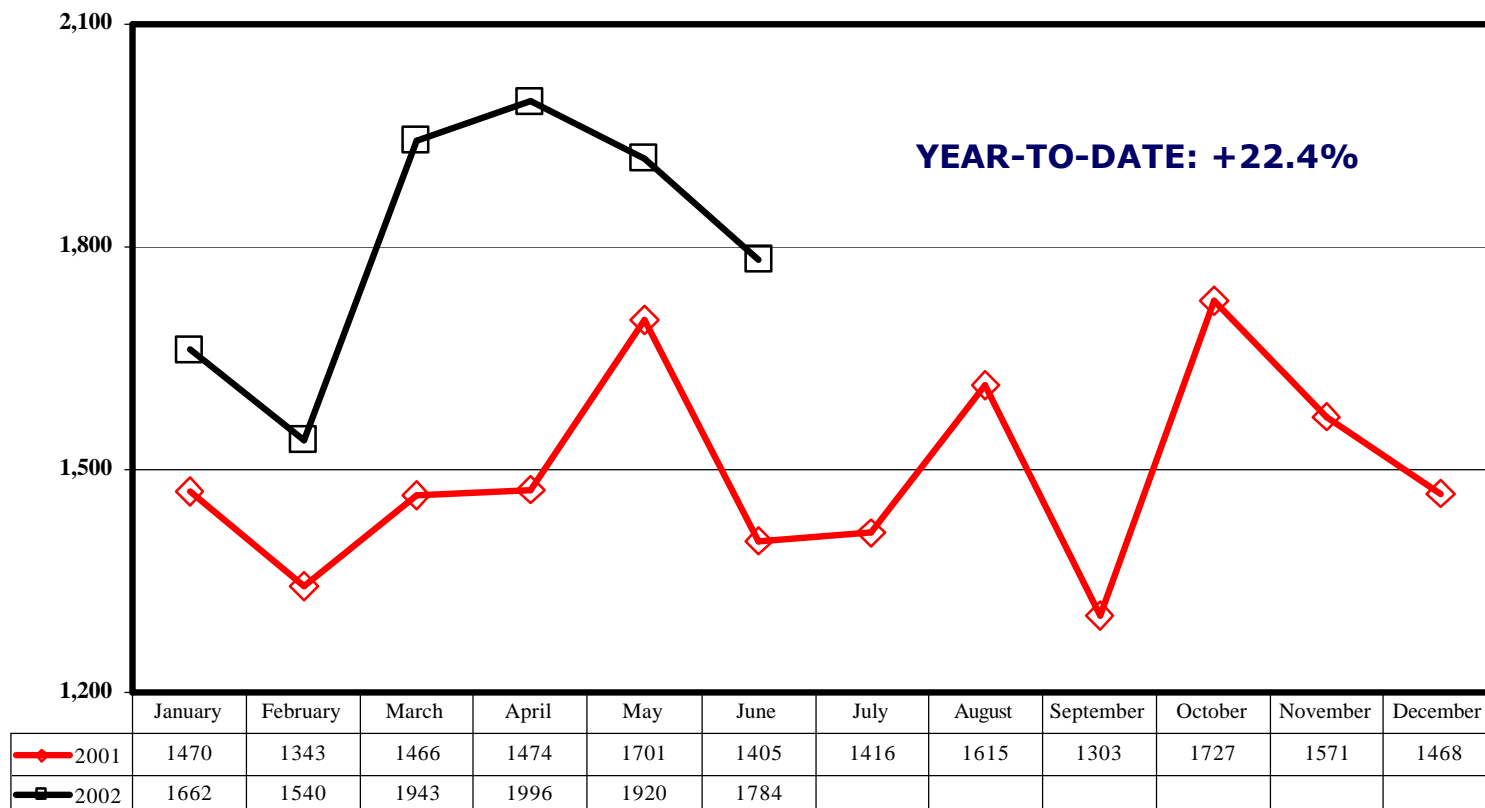
TFL Claims Processed (In Thousands) - Regions 2, 3, 4, 5





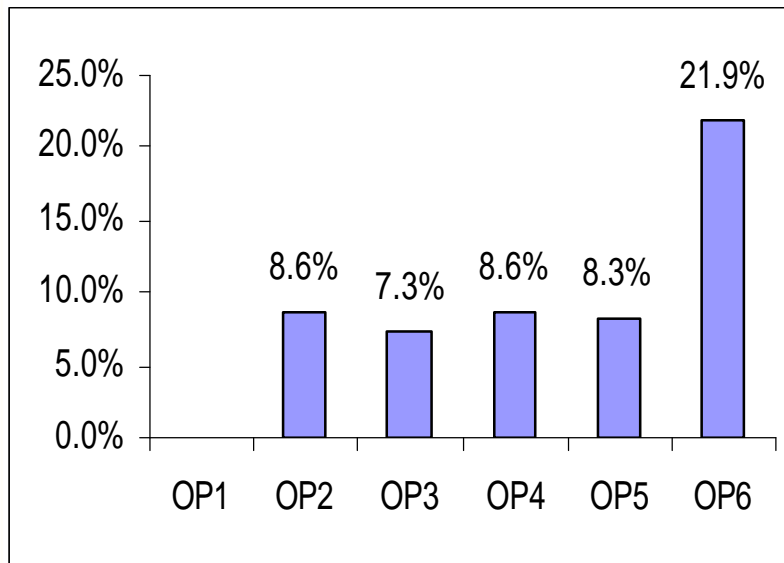
# Some Metrics - Claim Volumes (Cont.)

Basic Programs Claims Processed ~ Excludes TSRX and TFL (In Thousands) - Regions 2, 3, 4, 5

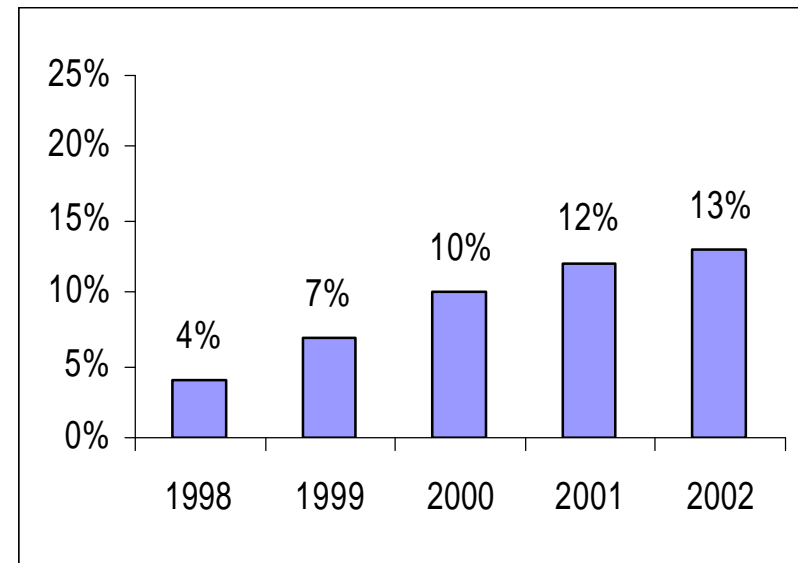


# Some Metrics – Region 3/4 Health Care Cost Trends

**HMHS Risk**



**1998-2002 Average Health  
Care Cost Increases**



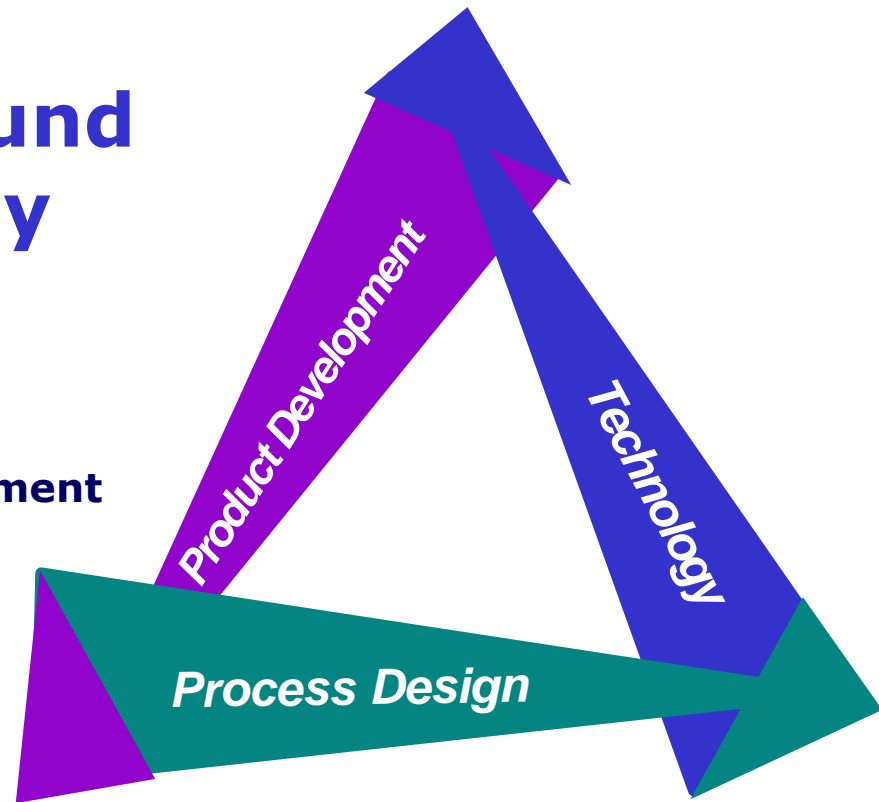
# **How Humana Inc. is Dealing with Cost Trends**

# Humana Inc.


## Ultimately — Solutions are Found by Combining Key Elements


In a consumer-centric environment

- Empowered
- Informed
- Responsible



# Humana Inc.

**HOWIE**  
Humana Online Web Information Exchange

 **HUMANA.**  
Our vision is to become the most trusted name in health solutions

[Open Enrollment](#)  
[Benefit Information](#)  
**[Plan Wizard](#)**  
[Enroll Now](#)  
[Provider Information](#)

**In a typical year in which utilization category would you and your dependents fall?**

Utilization	Approximated Usage (per person a year)
<input checked="" type="radio"/> Low	3 Office visits, 7 Prescription drugs, no hospitalizations (approx \$500)
<input type="radio"/> Medium	6 Office visits, 15 Prescription drugs, no hospitalizations (approx \$1500)
<input type="radio"/> High	8 Office visits, 22 Prescription drugs, 1 day hospitalization (approx \$3000)
<input type="radio"/> Very High	23 Office visits, 63 Prescription drugs, 2 hospitalizations totaling 10 days (approx \$25,000)

Prev

Next

# Looking Ahead at TRICARE Costs

- Long term Congressional resolve uncertain
- DoD will be pressed to control costs
- Service levels and quality could decline
- MCS contractors will be a convenient target
- Fragmentation will be used to “control” costs
- TRICARE program will receive increased scrutiny

# HMHS Positions

- Believes that benefit design is the key to TRICARE cost control - - supported by:
  - Process design
  - Product development
  - Technology
- Together, with our military partners, we must seek efficiencies for today's contract



# Some Suggestions We've Advanced

- Revitalize Value Engineering Change Proposal (VECP) process
- Refocus/realign utilization management
- Re-evaluate disease management
- Re-evaluate claim processing requirements
- Establish TRICARE fee schedules for all care
- Revise credentialing to reflect industry standards
- Synchronize change orders with OPM revisions
- Improve "alpha" contracting approach

# Some Suggestions We've Advanced (Cont.)

- **Bundle change orders with similar claims implications**
- **Re-evaluate TSCs in non-catchment areas**
- **Re-examine reporting requirements**
- **Improve enrollment processes**
- **Optimize MTFs using Resource Sharing tool**
- **Eliminate non-value added activity wherever possible**

# On The Horizon

- **Pursue new contracting opportunities where prudent**
- **Sustain support to all Lead Agents and MTFs**
- **Optimize MTFs wherever possible**
- **Implement new TRICARE program changes**
- **Refine TFL claim processing**
- **Continue service excellence**

**Any Questions?**



**HUMANA®**

Military Healthcare Services